AR14

HORNE & PITFIELD FOODS LIMITED

ANNUAL REPORT 1978

SYNOPSIS

(thousands of dollars)

	1978	% Increase	1977
Sales	**437,007**	**19.0**	367,189
Net income	**3,979**	**24.0**	3,210
Per share ($)	**2.01**		1.63
Cash flow	**5,818**	**25.7**	4,628
Working capital	**13,853**	**24.2**	11,153
Total assets	**62,994**	**13.1**	55,682
Shareholders' equity	**19,686**	**23.5**	15,945
Per share ($)	**9.93**		8.04

New Corporate Office

REPORT TO SHAREHOLDERS

1977-78 was another record year for your Company with greatly improved earnings in our U.S. division, more than compensating for the decrease in Canadian earnings. Food prices which had stabilized for a time in 1976 rose again during 1977 due to inflationary pressures and as a result, sales increased somewhat more than anticipated. In complying with the regulations of the Canadian Government Anti Inflation Act, excess revenue was dealt with and eliminated by reducing the selling price of many commodities to our customers which adversely affected earnings. On the other hand, there was a positive impact from the further increase in the value of the U.S. dollar as compared to the Canadian dollar.

Operating Results

Sales were a record \$437 million, up \$70 million or 19%. Net income of \$3.98 million was also a record, up \$770,000 or 24%. Earnings per share were \$2.01 this year as compared with \$1.63 last year.

The following summary illustrates the results of each division as compared with last year.

	Canadian Division	U.S.A. Division	Consolidated
Sales increase	15.8%	21.6%	19.0%
Net income increase (decrease)			
Before foreign exchange	(5.6%)	47.8%	16.1%
After foreign exchange	(5.6%)	63.4%	24.0%

Financial Position

Even though capital expenditures on fixed assets were a record \$4.4 million for the year, working capital nevertheless improved \$2.7 million as detailed in the Consolidated Statement of Changes in Financial Position accompanying this report. Cash flow from operations improved 25.7% and working capital at year end was \$13.9 million, a ratio of 1.44 to 1.

Growth and Development

During the year under review the Crowsnest Mall, a 65,000 square foot enclosed shopping centre in Blairmore, Alberta, and the Hanna Mall, a 33,000 square foot enclosed shopping centre in Hanna, Alberta, were opened and construction commenced on the Cardston Centre, a 35,000 square foot enclosed shopping centre in Cardston, Alberta. Your Company has a 50% interest in each of these developments as a joint venture partner.

The decline of nine in the total number of franchised retail stores was occasioned by the removal of thirty small stores from our MM group who could no longer meet our requirements. One IGA store was closed, five were opened (four of which are located in modern shopping centres), two were re-located in new shopping centres and two were extensively renovated. Three new Mayfair stores were opened, four were closed and two were transferred to other affiliated groups. The development of our "convenience" group of Red Rooster stores continued at a rapid pace with the addition of seventeen stores during the year.

The operations of our Grande Prairie and Dawson Creek branches were consolidated in a new 65,000 square foot distribution centre in Grande Prairie, Alberta, in September. This modern one-floor facility offers a complete selection of groceries, fresh fruits, vegetables, frozen foods and dairy products to our affiliated retailers and customers throughout northwest Alberta and northern B.C.

A new 18,000 square foot office complex located in north-west Edmonton was completed and occupied in October and provides much improved working conditions for our Corporate group.

After a thorough study of the operations of their small frozen food warehouse in Glendale, California, Market Wholesale Grocery Co. concluded their investment was not justified and ceased operations. The lease on their warehouse in Eureka, California, expired during the year and rather than invest heavily in a new facility, major customers in that area are now serviced from their distribution centre in Redding, California, and a Cash & Carry depot was opened to look after the needs of smaller accounts. Their Corporate office was also moved to new expanded premises in Santa Rosa, California, more centrally located in their trading territory.

Future

Plans call for five new IGA stores to be opened in 1978-79, three to be re-located in new premises and two to undergo major expansion. The emphasis on expanding our group of Red Rooster stores will continue with eighteen further stores presently under construction or in various stages of planning or negotiating.

Arrangements have been concluded with our joint venture partner for a 42,000 square foot enclosed shopping mall in Innisfail, Alberta, and we anticipate reaching agreement on two other projects during the coming year.

We plan to occupy our new 45,000 square foot distribution centre presently under construction in Medicine Hat, Alberta, during the summer of 1978. This will afford us the opportunity to improve our service to affiliated retailers and customers throughout south-east Alberta and south-west Saskatchewan by offering an expanded range of grocery products as well as fresh fruits, vegetables, frozen foods and dairy products.

C. W. Boon & Co. Ltd., our wholly owned subsidiary, engaged in tobacco and confectionery distribution and "vending" will be moved to new expanded premises during 1978-79 in order to keep pace with the considerably increased volume achieved in recent years.

Market Wholesale will embark on a major plan of delivery equipment replacement and continue to develop a long range plan for expansion and replacement of their group of distribution centres and Cash & Carry depots.

It is difficult to predict what effect there will be on the economy of Canada when the Anti Inflation Act comes to an end later this year. There is no question, however, that the economy is weak at the present time and unemployment is at the highest level it has been for many decades. The disturbing factor is the Federal Government does not appear to be unduly concerned or prepared to take positive steps to remedy the situation. Such a posture does not augur well for improved economic conditions. In all probability, the U.S. dollar will continue to increase in value as compared to the Canadian dollar and have a further positive affect on our earnings. At the present time our California operations continue to follow the positive trend of last year and to a degree our operations in Alberta are insulated from the overall problems of Canada due to extensive energy-related exploration and development in the Province. Considering all factors, we anticipate a modest improvement in both sales and earnings for the coming year.

Appreciation

In December of 1977, David A. Golden and David B. Loeb resigned from our Board of Directors. We thank them both sincerely for their dedicated efforts and contributions to the growth and development of the Company during their years of service.

Norman W. Robertson, Senior Vice-President and Chief Operating Officer of ATCO Industries Limited, and Antoine Turmel, Chairman of the Board and Chief Executive Officer, Provigo Inc., were elected to fill the vacancies on the Board. We look forward to the added knowledge and insight these gentlemen will bring to our operations.

The success of any endeavour is dependent on the dedication and concern of those involved. We consider ourselves fortunate to have employees not only imbued with these characteristics but also gifted with the talents necessary to achieve success in the highly competitive business of food distribution and retailing. To all of them and our franchised retailers, suppliers and other associates, we record again our sincere appreciation for their efforts on our behalf.

Annual Meeting

Shareholders are cordially invited to the Annual General Meeting to be held at the Corporate Office of the Company, 163 Street and 128 Avenue, Edmonton, Alberta, on Friday, June 9, 1978, at 11 o'clock in the forenoon.

On behalf of the Board of Directors.

President & Chief Executive Officer.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

For The Year Ended January 28, 1978
(with comparative figures for the year ended January 29, 1977)
(thousands of dollars)

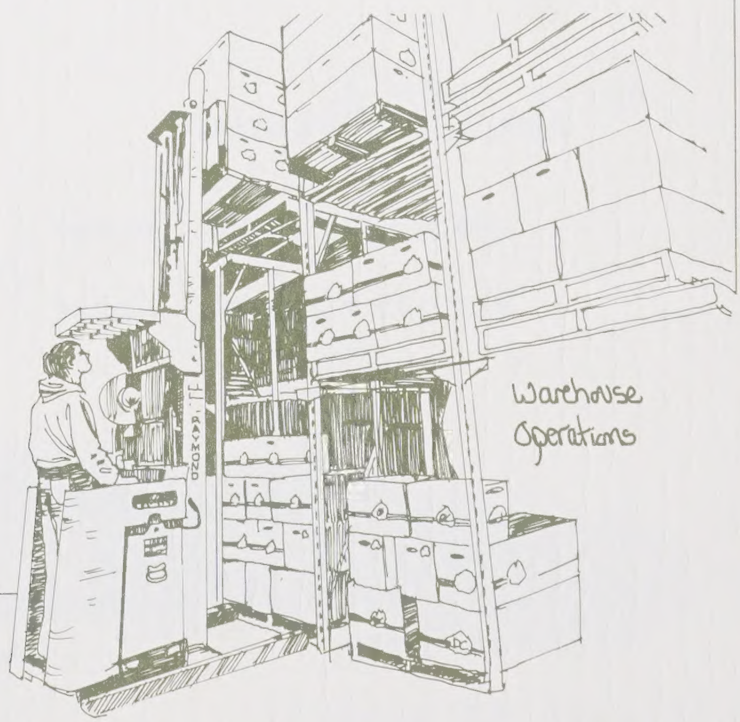
	1978	1977 (restated)
Sales	$ 437,007	$ 367,189
Income before the undernoted	10,519	9,133
Interest on long term debt	983	831
Other interest	217	378
Depreciation	1,652	1,492
	2,852	2,701
Income before taxes	7,667	6,432
Income taxes:		
Current	3,436	3,161
Deferred	189	(16)
	3,625	3,145
	4,042	3,287
Minority interest in earnings of subsidiary	63	77
Net income	3,979	3,210
Retained earnings at beginning of year (restated — Note 1)	11,250	8,277
	15,229	11,487
Dividends	238	237
Retained earnings at end of year	$ 14,991	$ 11,250
Earnings per share	$ 2.01	$ 1.63

Cardston Centre - Cardston IGA

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For The Year Ended January 28, 1978
(with comparative figures for the year ended January 29, 1977)
(thousands of dollars)

	1978	1977 (restated)
Working capital was provided from:		
Operations	$ 5,818	$ 4,628
Increase in long term debt	5,854	2,445
Reduce deferred accounts receivable	215	50
Disposals of fixed assets	50	361
Share capital issued	—	44
	11,937	7,528
Working capital was used to:		
Purchase fixed assets	4,446	1,742
Decrease long term debt	4,211	2,163
Invest in joint ventures	273	126
Reduce minority interest	68	520
Pay dividends	238	237
	9,236	4,788
Increase in working capital	2,701	2,740
Working capital at beginning of year	11,152	8,412
Working capital at end of year	$ 13,853	$ 11,152



CONSOLIDATED BALANC

(with comparative fig

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ASSETS

	1978	1977 (restated)
Current:		
Cash	**$ 3,374**	$ 3,047
Accounts receivable	**16,240**	14,003
Inventories of merchandise (Note 1)	**24,697**	22,669
Prepaid expenses	**626**	552
Land, buildings and equipment held for sale, at the lower of cost and estimated realizable value	**482**	612
	45,419	40,883
Deferred accounts receivable	**392**	607
Investments in joint ventures (Note 1)	**376**	126
Fixed, at cost (Note 1):		
Land and buildings	**10,252**	8,024
Equipment	**13,790**	11,863
	24,042	19,887
Less — Accumulated depreciation	**10,365**	8,951
	13,677	10,936
Goodwill, at cost (Note 1)	**3,130**	3,130
	$ 62,994	$ 55,682

APPROVED BY THE BOARD:

FRANK M. WARNOCK Director

KENNETH W. QUINN Director

Calgary Branch

SHEET JANUARY 28, 1978
at January 29, 1977)
dollars)

LIABILITIES

	1978	1977 (restated)
Current:		
Bank indebtedness (Note 2)	$ 5,747	$ 2,543
Accounts payable and accrued liabilities	23,460	23,910
Income taxes payable	518	1,125
Current portion of long term debt	1,841	2,153
	31,566	29,731
Long term debt (Note 3)	10,193	8,550
Deferred gains on property disposals (Note 1)	339	367
Deferred income taxes	215	26
Minority interest, including $960 (1977 — $1,029) attributed to preferred shares	995	1,063
Shareholders' equity:		
Capital, shares of a par value of 20¢ each		
Authorized — 5,000,000		
Issued — 1,983,204	397	397
Premium on share capital	4,298	4,298
Retained earnings	14,991	11,250
	19,686	15,945
Commitments and contingencies (Note 4)		
	$ 62,994	$ 55,682

Crowsnest Mall - Blairmore IGA

NOTES TO FINANCIAL STATEMENTS

1. Accounting policies:

Principles of consolidation —

The consolidated financial statements include the accounts of the Company and all its subsidiaries. To conform with the Canadian Institute of Chartered Accountants pronouncement of September, 1977, the Company has changed its method of accounting for its investments in joint ventures from the proportionate consolidation method to the equity method. This change has been applied retroactively and the amounts reported at January 29, 1977, have been restated to reflect the equity method.

Foreign exchange —

The accounts of the California subsidiaries have been translated to Canadian dollars on the following basis:

Current assets and current liabilities at the exchange rate prevailing at January 28, 1978

Other balance sheet items at historical rates of exchange

Income and expenses (other than depreciation expense translated at the rates applicable to related depreciable assets) at the average exchange rate prevailing during the year

The foreign exchange gain of $406,782 (1977 — $130,355) arising from this translation has been credited to net income.

Inventories of merchandise —

Wholesale inventories are valued at the lowest of cost, replacement cost and net realizable value. Retail inventories are valued at the lower of cost and net realizable value.

Fixed assets —

Fixed assets are recorded at cost. In order to conform with the accounting policies of the Provigo Group, of which the Company now forms a part, the Company has changed its method of calculating depreciation on certain assets from the diminishing balance method to the straight-line method and changes were made to the estimated useful lives of certain other assets. The minor adjustments arising from these changes have been reflected in the current and prior year figures.

The depreciation rates used by the Company now are:

Buildings	2½% — 5% straight-line
Equipment	10% — 12½% straight-line
Automotive equipment	30% diminishing balance

Leasehold improvements, net book value of $510,400, are amortized over the life of the leases plus the first renewal option period, if any.

Where appropriate, maximum depreciation is claimed for income tax purposes and a related provision is made for deferred income taxes.

Goodwill —

Goodwill represents the excess cost of subsidiaries over net book value. Goodwill arising prior to April 1, 1974 will not be amortized unless there is permanent impairment of value.

Deferred gains on property disposals —

Deferred gains on property disposals are amortized over the terms of the related agreements for sale and leaseback.

2. Bank indebtedness:

The bank loans are secured by a floating charge debenture, a general assignment of book debts and a mortgage on certain property.

Typical Red Rooster store

3. Long term debt (Canadian funds):

	1978	1977
	(in thousands)	
U.S. bank loan secured by shares of Market Wholesale Grocery Co. (U.S. $4,000,000)	**$ 4,292**	$ 2,446
U.S. 9% promissory notes secured by the shares of Market Management Incorporated and by the guarantee of the Company (U.S. $2,458,183)	**2,455**	3,399
Canadian bank loan secured by a floating charge debenture	**2,140**	1,870
Property mortgages	**1,169**	695
Other	**137**	140
	$10,193	$ 8,550

Instalments of principal due in the years 1980 to 1983 are $1,860,670, $2,226,991, $1,813,232, $2,635,957.

4. Commitments and contingencies —

The Companies have obligations under long term leases for rentals of warehouses and retail stores aggregating $35,659,551 of which $20,024,734 is recoverable from sub-leases to others. The net annual rentals under these leases due in each of the next five years are approximately as follows: 1979 — $1,202,931; 1980 — $1,147,103; 1981 — $1,115,-028; 1982 — $1,100,373; 1983 — $1,074,466.

The Companies have outstanding construction commitments of $636,095 and are contingently liable as guarantors of banks loans to:

Customers	$ 817,488
Joint ventures	1,480,000
	$2,297,488

5. Remuneration of directors and senior officers:

The aggregate direct remuneration paid by the Company and its subsidiaries to directors and senior officers was $533,787. In addition, $176,154 was charged against income in connection with a release and retirement agreement with Bertram Loeb, former Chairman of the Board.

6. Anti-inflation program:

The Company and its Canadian subsidiaries are subject to the regulations of the Federal Government Anti-Inflation Act. During the year, all excess revenue, according to the Company's understanding of the regulations, was disposed of by reducing the selling prices of various commodities.

AUDITORS' REPORT

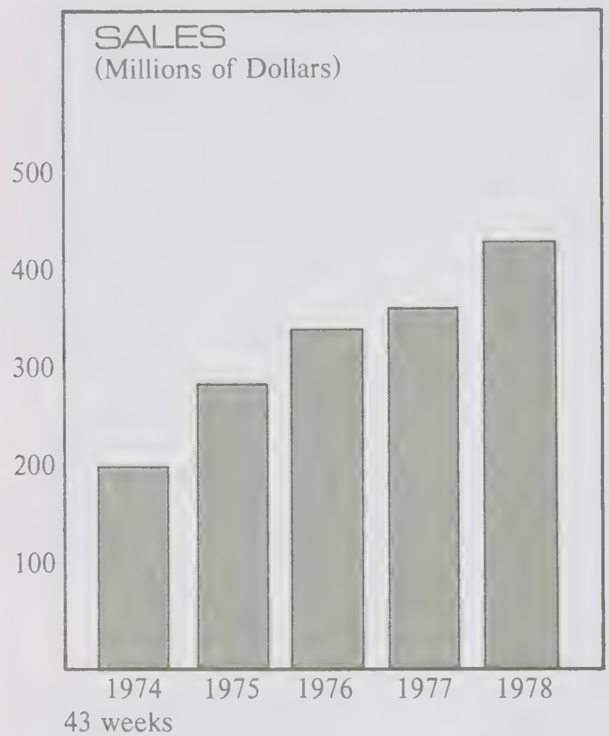
To the Shareholders of
Horne & Pitfield Foods Limited:

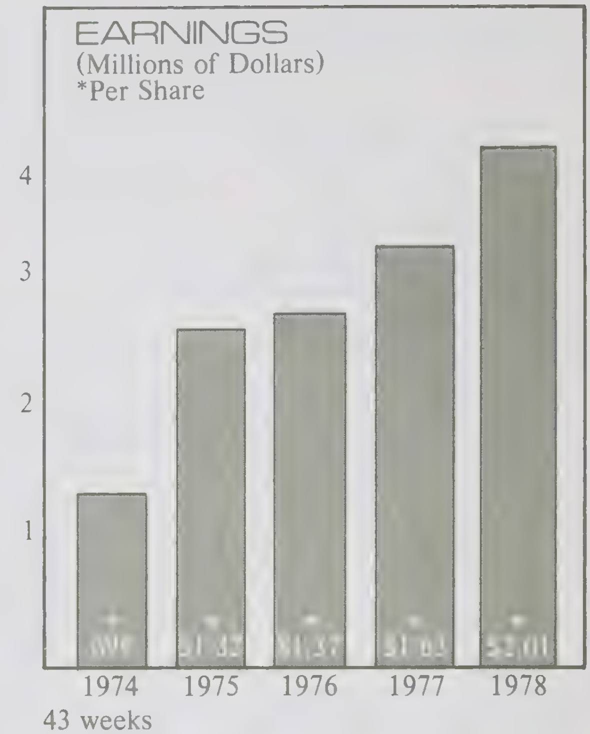
We have examined the consolidated balance sheet of Horne & Pitfield Foods Limited as at January 28, 1978 and the consolidated statements of income and retained earnings and changes in financial position for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

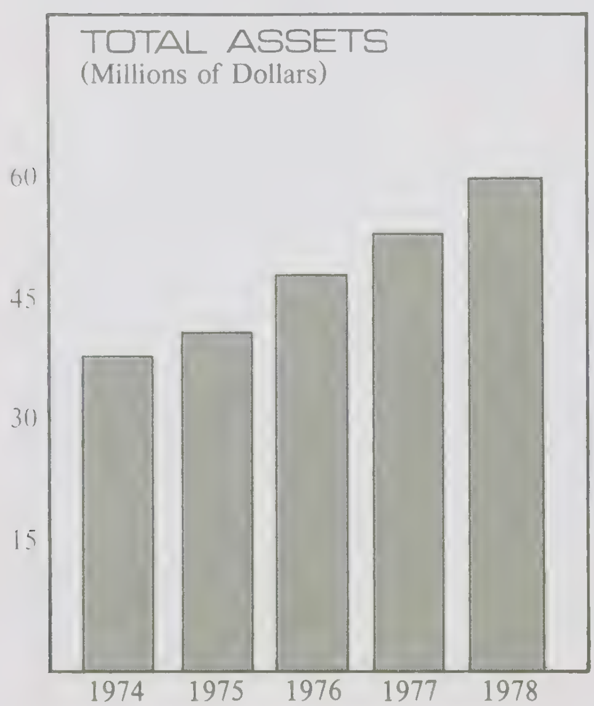
In our opinion, these consolidated financial statements present fairly the financial position of the companies as at January 28, 1978 and the results of their operations and the changes in their financial position for the fifty-two weeks then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting for the investments in joint ventures and the change in depreciation method all as described in Note 1 to the financial statements, on a basis consistent with that of the preceding year.

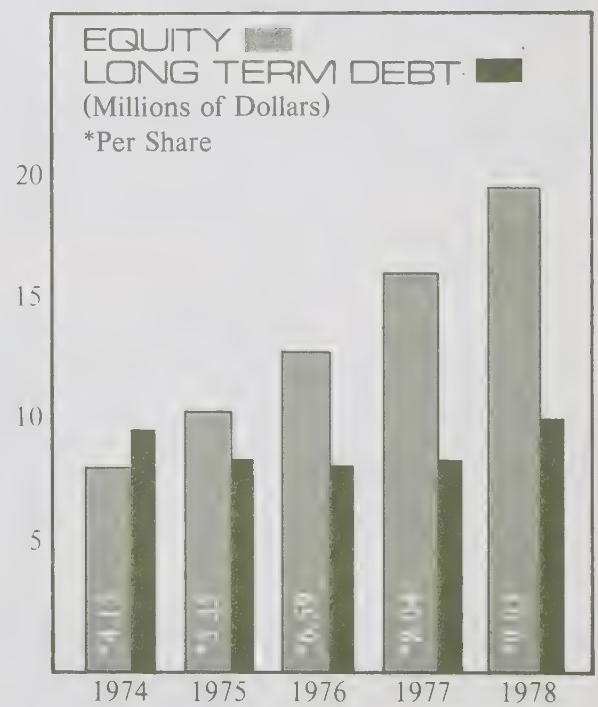
PRICE WATERHOUSE & CO.
Chartered Accountants
EDMONTON, ALBERTA
MARCH 31, 1978

GROWTH AT A GLANCE









FIVE YEAR SUMMARY

OPERATING RESULTS

($ expressed in thousands)

	1978	1977	1976	1975	1974*
Sales	**437,007**	367,189	340,593	291,048	204,385
Depreciation	**1,652**	1,492	1,330	1,099	785
Income before taxes	**7,667**	6,432	5,400	5,489	2,928
Percent of sales	**1.75**	1.75	1.59	1.89	1.43
Income taxes	**3,625**	3,145	2,620	2,815	1,535
Net income	**3,979**	3,210	2,685	2,583	1,324
Percent of sales	**.91**	.87	.79	.89	.65
Percentage return on average shareholders' equity	**22.3**	22.2	23.0	27.8	21.8

FINANCIAL POSITION

($ expressed in thousands)

	1978	1977	1976	1975	1974*
Cash flow	**5,818**	4,628	3,974	3,648	2,148
Capital expenditures	**4,446**	1,742	4,220	3,091	1,931
Working capital	**13,853**	11,152	8,412	8,982	7,687
Working capital ratio	**1.44:1**	1.38:1	1.31:1	1.41:1	1.37:1
Total assets	**62,994**	55,682	50,596	43,093	40,074
Long term debt	**10,193**	8,550	8,268	8,474	9,513
Shareholders' equity	**19,686**	15,945	12,928	10,472	8,124

PER SHARE ($)

	1978	1977	1976	1975	1974*
Income before taxes	**3.87**	3.26	2.76	2.80	1.53
Net income	**2.01**	1.63	1.37	1.32	.69
Cash flow	**2.93**	2.35	2.03	1.86	1.12
Dividends	**.12**	.12	.12	.12	.06
Shareholders' equity	**9.93**	8.04	6.59	5.35	4.15

* The 1974 fiscal period consisted of 43 weeks only.

DISTRIBUTION CENTRES AND FRANCHISES

	1978	1977	1976	1975	1974*
Canadian:					
Warehouses	**8**	9	9	9	9
Cash & Carry warehouses	**6**	6	6	6	6
IGA stores	**77**	73	71	73	76
Mayfair stores	**29**	32	34	33	27
Red Rooster stores	**52**	35	23	17	11
MM stores	**230**	260	252	287	270
Triple S stores	**15**	12	12	14	13
U.S.A.					
Grocery warehouses	**5**	6	6	6	5
Frozen Food warehouses	**2**	3	3	3	3
Cash & Carry warehouses	**9**	8	8	7	7

HORNE & PITFIELD FOODS LIMITED

DIRECTORS

PIERRE ARBOUR
EDWARD E. BISHOP, Q.C.
BRYAN A. ELLIS
CARL R. GOSLOVICH
KENNETH W. QUINN, C.A.
NORMAN W. ROBERTSON
ANTOINE TURMEL
FRANK M. WARNOCK

OFFICERS

FRANK M. WARNOCK,
Chairman of the Board
KENNETH W. QUINN, C.A.,
President and Chief Executive Officer
A. NELSON GAHN,
Executive Vice President
DAVID W. MELLOR, C.A.,
Vice President, Finance
RONALD J. GARLAND,
Vice President, Human Resources
WESLEY L. ARMENEAU,
Vice President, Wholesale Operations
MELVIN G. LINDGREN,
Vice President, Retail Operations
JOHN M. FREEMAN,
Vice President, Marketing
EDWARD E. BISHOP, Q.C.,
Secretary
THOMAS JACKSON,
Assistant Secretary

CANADIAN DIVISION

RICHARD DALEY
Director, IGA Stores
THOMAS G. VAN DER WEIDE,
Director, Corporate Stores
DARRYL H. SMITH,
Director, Advertising
ROBERT S. McKEE,
Director, Meat Operations
G. DENNIS McNAMARA,
Director, Leasing
FREDERICK D. KNOPKE,
Director, Data Processing
RONALD G. BOYCHUK,
Director, MRT Stores
MALCOLM B. MUNROE,
Director, Personnel
MORLEY G. STANWAY, C.A.,
Comptroller
DENNIS J. BRENNEN,
Director, Calgary Branch
WAYNE A. WAGNER,
Director, Edmonton Branch
JOHN ANTON,
Director, Peace River Branch
LAWRENCE BROWN,
Director, Grande Prairie Branch
LEONARD L. SCHULTZ,
Director, Medicine Hat Branch
M. CARL COOKE,
Director, Red Deer Branch
RONALD P. GERTNER,
Director, St. Paul Branch
JOHN M. STANTON,
Director, C. W. Boon & Co. Ltd.

USA DIVISION

CARL R. GOSLOVICH,
President
RAYMOND V. FERRUCCI,
Senior Vice President and
General Manager, Modesto
ARTHUR W. GRIX,
Senior Vice President and
General Manager, Sacramento
DAVID L. STAFFORD,
Vice President and
General Manager, Fresno
WILLIAM H. BIRTCIL, SR.,
Vice President and
General Manager, Santa Clara
WALTER J. AMADOR,
Vice President and
General Manager, Redding
HARRY MARKOWITZ JR.,
Vice President and Advertising Manager
CHARLES E. DeBERRY, C.P.A.,
Vice President, Finance & Treasurer
MARLENE M. COLLINS,
Secretary
GLENN A. WEDIN,
Assistant Secretary

BANKERS The Toronto-Dominion Bank: The Union Bank

REGISTRAR AND TRANSFER AGENT Montreal Trust Company

AUDITOR Price Waterhouse & Co.

LISTED ON Toronto Stock Exchange

P.O. Box 10, 153 St.-122 Ave. Edmonton, Alberta T5J 2G9

INFORMATION CIRCULAR

HORNE & PITFIELD FOODS LIMITED

The information contained in this circular is furnished in connection with the solicitation of proxies by the Management of Horne & Pitfield Foods Limited (hereinafter sometimes called the "Company") for use at the Annual General Meeting of Shareholders of the Company to be held at the Corporate Office of the Company, 163 Street and 128 Avenue, Edmonton, Alberta, on Friday, the 9th day of June, 1978, at 11:00 o'clock in the forenoon (Mountain Daylight Time) for the purposes set forth in the accompanying Notice of Meeting. It is expected that solicitations will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company at nominal cost. The cost of solicitation will be borne by the Company.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Only the holders of common shares are entitled to vote at the Annual General Meeting. Each holder of a common share of the Company of record on May 26, 1978, is entitled to one vote for each share held. The Company has outstanding 1,983,204 common shares as at May 12, 1978.

M. Loeb Limited is the registered owner of 1,695,972 common shares representing 85.5% of the outstanding equity shares of the Company. No other person, firm or corporation is, to the knowledge of the directors or senior officers of the Company the owner directly or indirectly of equity shares carrying more than 10% of the voting rights.

MATTERS TO BE ACTED UPON

1. It is proposed to increase the number of directors constituting the Board from eight to ten.

2. It is proposed to amend the Articles of Association to facilitate the operation of the Executive Committee.

ELECTION OF DIRECTORS

The following are the names of the persons who are proposed nominees for election as directors. It is intended that the shares represented by the proxy hereby solicited will be voted in favour of their election as directors:

Pierre Arbour

Edward E. Bishop, Q.C., Secretary

Bryan A. Ellis

Rhys T. Eyton, C.A.

Carl R. Goslovich

Pierre H. Lessard, C.A.

Kenneth W. Quinn, C.A., President

Norman W. Robertson

Antoine Turmel

Frank M. Warnock

The term of office of each such person is until the next Annual General Meeting or until his successor is elected or appointed. In the event that prior to the Annual General Meeting any vacancies occur in the slate of nominees submitted herewith it is intended that discretionary authority shall be granted to vote the proxy for the election of any other person or persons as directors. The management is not aware that any of such nominees would be unwilling to serve as a director if elected.

INFORMATION CONCERNING NOMINEES AS DIRECTORS

Name and Principal Occupation	Year first appointed a Director	Shareholdings (Note 1)
Pierre Arbour Senior Corporate Investment Advisor Caisse de Dépôt et Placement du Québec (Quebec Deposit and Investment Fund)	1977	1
Edward E. Bishop, Q.C. Senior Partner, Bishop & McKenzie Barristers & Solicitors	1962	101
Bryan A. Ellis President, Associated Engineering Services Ltd.	1969	101
Rhys T. Eyton, C.A. President & Chief Executive Officer Pacific Western Airlines Ltd.	—	1
Carl R. Goslovich President Market Wholesale Grocery Co.	1973	1
Pierre H. Lessard, C.A. President & Chief Operating Officer Provigo Inc.	—	1
Kenneth W. Quinn, C.A. President & Chief Executive Officer Horne & Pitfield Foods Limited	1959	8,551
Norman W. Robertson Senior Vice President & Chief Operating Officer ATCO Industries Ltd.	1977	1
Antoine Turmel Chairman of the Board and Chief Executive Officer Provigo Inc.	1977	1
Frank M. Warnock, President & Chief Executive Officer M. Loeb Limited	1977	50

Note:

1 Common shares beneficially owned directly or indirectly as of May 12, 1978, according to information provided by each nominee.

2 All nominees have continuously served as directors of the Company from the years indicated.

3 During the past five years all nominees as directors have been employed in various capacities by the companies or firms indicated below their names except Frank M. Warnock who, prior to 1976, was President of Dominion Dairies Limited.

REMUNERATION OF MANAGEMENT AND OTHERS

During the fiscal year ended January 28th, 1978, the aggregate direct remuneration paid or payable by the Company and its subsidiaries to all directors and senior officers as a group was $533,787. In addition, $176,154 was charged against income in connection with an agreement with Bertram, I. Loeb described below.

The estimated aggregate cost to the Company and its subsidiaries in the last completed financial year of all pension benefits proposed to be paid under any normal pension plan in the event of retirement at normal retirement age directly or indirectly by the corporation or any of its subsidiaries to the directors and senior officers of the corporation was $118,516.

The Board of Directors resolved to pay Mr. Bertram I. Loeb, who resigned as Chairman of the Board on December 15, 1976, and ceased to be a director on June 21, 1977, a retirement allowance in the amount of $36,000.00 per annum, for the five consecutive calendar years commencing January 1, 1977.

APPOINTMENT OF AUDITORS

It is intended to vote the proxy to re-appoint Messrs. Price Waterhouse & Co. Chartered Accountants, the present auditors, as auditors of the Company to hold office until the next Annual General Meeting of Shareholders. Messrs. Price Waterhouse & Co. were first appointed auditors of the Company on May 26, 1959.

VOTING OF PROXIES

A shareholder has the right to appoint a person (who need not be a shareholder) other than the persons designated in the enclosed form of proxy, to attend and act for him and on his behalf at the Annual General Meeting. To exercise this right the shareholder may insert the name of the desired person in the blank space provided in the form of proxy and strike out the other names or may submit another appropriate proxy.

Unless otherwise specified, the proxy will be voted in favour of the acceptance of the consolidated financial statements of the Company and its subsidiaries for the fiscal period ended January 28, 1978, together with the reports of the directors and auditors thereon, the increase in the number of directors constituting the Board from eight to ten, the special resolution amending the Company's Articles of Association, the election of the directors nominated, the reappointment of Messrs. Price Waterhouse & Co. as auditors and the authorization of the directors to set the remuneration of the auditors.

The form of proxy confers discretionary authority with respect to amendments or variations to matters identified in the notice of Annual General Meeting and other matters which may properly come before the meeting.

A shareholder executing the enclosed form of proxy has the power to revoke the proxy at any time up to and including the last business day preceding the day of the Annual General Meeting or any adjournment thereof. Section 139 (4) of the Companies Act, Alberta, sets out a procedure for revoking the proxy by depositing an instrument in writing at the Corporate Office of the Company.

GENERAL

The management knows of no matters to come before the Annual General Meeting of Shareholders other than matters referred to in the Notice of Meeting. However, if any other matters which are not now known to the management should properly come before the meeting the accompanying proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy.

Dated May 12th, 1978